

ARIZONA STATE TREASURER'S OFFICE

1700 WEST WASHINGTON STREET
PHOENIX, ARIZONA 85007



REQUEST FOR PROPOSAL # 08-02
FOR
CUSTODY SERVICES

August 6, 2008

Dean Martin, State Treasurer

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INTRODUCTION

1. INTRODUCTION

This document constitutes a Request for Proposal via competitive sealed proposals, from qualified individuals and organizations to perform the Scope of Work set forth herein.

2. BACKGROUND/PURPOSE

As noted in Arizona Revised Statutes (ARS) 35-312, among the duties of the Arizona State Treasurer is the responsibility for the investment of treasury monies. In addition, ARS 35-315 authorizes the State Treasurer to contract for all other banking services required by any state agency.

This Request for Proposal is being issued by the Arizona State Treasurer's Office to satisfy a need for a custodial institution to act as the Treasurer's agent in the safekeeping and handling of all Securities and cash at any time delivered to custodian.

Participants are encouraged to bid on any or all of the services contained in the Scope of Work (including optional requirements).

OFFER AND ACCEPTANCE

Offer

The undersigned hereby offers and agrees to furnish the material, service or construction in compliance with all terms, conditions, scope of work and amendments to the solicitation.

By: _____

Title _____

Company _____

Date _____

By signature in the offer section above, the bidder certifies:

1. The submission of the offer did not involve collusion or other anti-competitive practices.
2. The bidder shall not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11246, State Executive Order 99.4 or A.R.S. 41-1461 through 1465.
3. The bidder has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the submitted offer. Failure to provide a valid signature affirming the stipulations required by this clause shall result in rejection of the offer. Signing the offer with a false statement shall void the offer, any resulting contract and may be subject to legal remedies provided by law.

Acceptance

The Offer is hereby accepted.

Office of the State Treasurer

By: _____

Title _____

Date _____

SPECIAL INSTRUCTIONS TO BIDDERS

1 Proposal

Proposals are due at the address listed below on or before 2:00 p.m. (MST) on Friday, September 12, 2008. Responses must include an original plus three (3) additional copies that will be used in the evaluation process. The original copy of the proposal should be clearly labeled "ORIGINAL". The material should be in sequence and related to the Request for Proposal. Proposals received after the date and time specified herein will not be considered. Proposals shall be opened publicly at the time and place designated on the cover page of this document. The name of each bidder shall be read publicly and recorded. All other information contained in the proposals shall be confidential so as to avoid disclosure of contents prejudicial to competing bidders during the process of negotiation. Prices will **NOT** be read. Proposals will not be subject to public inspection until after contract award. Proposals shall be irrevocable offers for sixty (60) days after the proposal due date.

Office of the State Treasurer
Attn: Klint Tegland, Deputy Treasurer of Operations
1700 W. Washington
Phoenix, AZ 85007

2 Evaluation

An award shall be made to the responsible bidder whose proposal is determined in writing to be the most advantageous to the State based upon the evaluation criteria listed below. The bidder is cautioned that it is the bidder's sole responsibility to submit information related to the evaluation categories and that the State of Arizona is under no obligation to solicit such information if it is not included with the bidder's proposal. Failure of the bidder to submit such information may cause an adverse impact on the evaluation of the bidder's proposal as to the responsiveness of the proposal and the responsibility of the bidder.

Cost	25%
Conformance to Scope of Work	25%
Method of Approach	25%
Experience	<u>25%</u>
	100

- 2.1 Cost. The bidder must provide a firm, fixed price for all requirements set forth in this Request for Proposal. All firm, fixed prices must be shown on the pricing schedule of this RFP (Exhibit 1) which must be completed and returned with bidder's proposal.

2.1.1 Pricing

- a. Provide a price schedule for this service using those items listed on the bid form (Exhibit 1). The only fees that will be accepted as a valid proposal are those called for on the bid form.

- 2.2 Conformance to Scope of Work. The bidder must present a written narrative which demonstrates the method or manner in which the bidder proposes to satisfy the requirements of the Scope of Work. The language of the narrative should be straight forward and limited to fact, solutions to problems, and plans of proposed action. The written narrative should include specific responses to the items listed below in addition to addressing the requirements contained in the Scope of Work.

2.2.1 Transaction Reporting

- a. What report options are available?
b. What online system is available?
c. What type of transaction reporting service do you provide?

- d. What type of output media is available for transaction reporting?
- 2.2.2 Transaction Reconciliation Paper Report
 - a. What is your business' standard cut-off for statements and/or paper reports?
 - b. How soon after the cut-off date will the following be sent or made available?
 - 1. Statements
 - 2. Reconciliation information
- 2.2.3 Accounting Reporting
 - a. What current day reporting is available through the reporting system?
 - b. How many business days is data stored on the reporting system and available for customer access?
 - c. Describe your business' security procedures for its information reporting system, both for access and information protection.
- 2.3 Method of Approach.
 - 2.3.1 Competitive Position and Future Commitment
 - a. What differentiates your service from other providers?
 - b. How do you plan to keep services current and competitive?
 - 1. What approach is the business taking in the development of new services?
 - 2. What new services or features does the business plan to offer, and within what time frame?
 - 2.3.2 Outsourcing
 - a. Are any applications outsourced to a third party? If so, name this vendor(s), and describe the application(s).
 - b. Describe the role of any third-party vendor used by the business to provide this service.
 - 2.3.3 Cut-off Times
 - a. What are the opening hours and cut-off times in Mountain Standard Time for processing transactions?
 - 2.3.4 Technical Capabilities
 - a. What security procedures are in place (e.g., encryption/authentication)?
 - b. How do you plan to keep this product current and competitive as it relates to changes in technology?
 - c. Does the bank utilize Internet capabilities as a method of information delivery? If yes, explain. If no, are there plans to introduce Internet capabilities?
 - 2.3.5 Disaster Recovery
 - a. What disaster recovery plans does the business have to avoid interruptions in service?
 - b. Describe the business' disaster recovery plan in detail.
 - c. Where are the off-site facilities located? Are they "hot" sites? Describe its location and capabilities. Is there an alternative backup site? If yes, describe its location and capabilities.
 - d. How quickly can the hot site be implemented in the event of an emergency?
 - 2.3.6 Customer Service and Quality
 - a. Indicate your business' customer service organizational structure.
 - b. Will a specific customer service representative be assigned to handle this business?
 - c. Describe the responsibilities of customer service personnel, including the chain of command for problem resolution.

- d. What are the hours of operation of the customer service unit for Mountain Standard Time?
- e. Does your business provide technical customer support for application and communication problems?
- f. Does the business have a formal quality improvement program for this service? If yes, describe.

2.3.7 Implementation

- a. Provide a copy of all agreements that will be required to initiate services.
- b. Provide a detailed description of the implementation process, including testing, and a sample implementation schedule.
- c. What is the average lead time required for implementation?
- d. Describe materials available and/or any on-site training that you provide.
- e. Do you assign an implementation team?

2.4 Experience and reliability. Please submit any information which documents successful and reliable experience in past performances related to the required services contained herein. Also provide any information which documents unsuccessful efforts within the past 36 months.

2.4.1 Personnel

- a. Please list names, titles, phone numbers, and e-mail address and provide brief biographies of business contact personnel.
- b. Identify the primary contact assigned to our account.
- c. How many employees do you have in key areas providing the service?

2.4.2 Experience

- a. How long has your business offered the service being requested?
- b. Specify the number of government/business customers using this service.
- c. Provide names and phone numbers of three references, preferably governments who are currently using the service requested. Select a mix of long-standing and recent customers.
- d. Provide any additional information which you believe to be relevant to your capabilities to provide the services requested, e.g., product brochures, articles in trade journals, etc.

UNIFORM INSTRUCTIONS TO BIDDERS

A. **Definition of Terms.** As used in these Instructions, the terms listed below are defined as follows:

1. *"Attachment"* means any item the Solicitation requires a Bidder to submit as part of the Offer.
2. *"Contract"* means the combination of the Solicitation, including the Uniform and Special Instructions to Bidders, the Uniform and Special Terms and Conditions, and the Specifications and Statement or Scope of Work, the Offer and any Best and Final Offers, and any Solicitation Amendments or Contract Amendments.
3. *"Contract Amendment"* means a written document signed by the State Treasurer that is issued for the purpose of making changes in the Contract.
4. *"Contractor"* means any person who has a Contract with the State.
5. *"Days"* means calendar days unless otherwise specified.
6. *"Exhibit"* means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation.
7. *"Offer"* means bid, proposal or quotation.
8. *"Bidder"* means a vendor who responds to a Solicitation.
9. *"Solicitation"* means an Invitation for Bids ("IFB"), a Request for Proposals ("RFP"), or a Request for Quotations ("RFQ").
10. *"Solicitation Amendment"* means a written document that is signed by the State Treasurer and issued for the purpose of making changes to the Solicitation.
11. *"Subcontract"* means any Contract, express or implied, between the Contractor and another party or between a subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any material or any service required for the performance of the Contract.
12. *"State"* means the State of Arizona and Department or Agency of the State that executes the Contract.

B. Inquiries

1. Duty to Examine. It is the responsibility of each Bidder to examine the entire Solicitation, seek clarification in writing (inquiries), and examine its' Offer for accuracy before submitting the Offer. Lack of care in preparing an Offer shall not be grounds for modifying or withdrawing the Offer after the Offer due date and time, nor shall it give rise to any Contract claim.
2. Solicitation Contact Person. Any inquiry related to a Solicitation, including any requests for or inquiries regarding standards referenced in the Solicitation shall be directed solely to the Solicitation contact person. The Bidder shall not contact or direct inquiries concerning this Solicitation to any other State employee unless the Solicitation specifically identifies a person other than the Solicitation contact person as a contact.
3. Submission of Inquiries. The State Treasurer or the person identified in the Solicitation as the contact for inquiries requires that an inquiry be submitted in writing. Any inquiry related to a Solicitation shall refer to the appropriate Solicitation number, page and paragraph. Do not place the Solicitation number on the outside of the envelope containing that inquiry, since it may then be identified as an Offer and not be opened until after the Offer due date and time. The State shall consider the relevancy of the inquiry but is not required to respond in writing.

4. Timeliness. Any inquiry or exception to the solicitation shall be submitted as soon as possible and should be submitted at least seven days before the Offer due date and time for review and determination by the State. Failure to do so may result in the inquiry not being considered for a Solicitation Amendment.
5. No Right to Rely on Verbal Responses. A Bidder shall not rely on verbal responses to inquiries. A verbal reply to an inquiry does not constitute a modification of the solicitation.
6. Solicitation Amendments. The Solicitation shall only be modified by a Solicitation Amendment.
7. Pre-Offer Conference. If a pre-Offer conference has been scheduled under this Solicitation, the date, time and location shall appear on the Solicitation cover sheet or elsewhere in the Solicitation. Bidders should raise any questions about the Solicitation or the procurement at that time. A Bidder may not rely on any verbal responses to questions at the conference. Material issues raised at the conference that result in changes to the Solicitation shall be answered solely through a written Solicitation Amendment.
8. Persons With Disabilities. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the Solicitation contact person. Requests shall be made as early as possible to allow time to arrange the accommodation.

C. Offer Preparation

1. Forms: No Facsimile, Telegraphic or Electronic Mail Offers. An Offer shall be submitted either on the forms provided in this Solicitation or their substantial equivalent. Any substitute document for the forms provided in this Solicitation must be legible and contain the same information requested on the forms, unless the solicitation indicates otherwise. A facsimile, telegraphic, mailgram or electronic mail Offer shall be rejected if submitted in response to requests for proposals or invitations for bids.
2. Typed or Ink; Corrections. The Offer shall be typed or in ink. Erasures, interlineations or other modifications in the Offer shall be initialed in ink by the person signing the Offer. Modifications shall not be permitted after Offers have been opened except as otherwise provided under applicable law.
3. Evidence of Intent to be Bound. The Offer and Acceptance form within the Solicitation shall be submitted with the Offer and shall include a signature (or acknowledgement for electronic submissions, when authorized) by a person authorized to sign the Offer. The signature shall signify the Bidder's intent to be bound by the Offer and the terms of the Solicitation and that the information provided is true, accurate and complete. Failure to submit verifiable evidence of intent to be bound, such as an original signature, shall result in rejection of the Offer.
4. Exceptions to Terms and Conditions. All exceptions included with the Offer shall be submitted in a clearly identified separate section of the Offer in which the Bidder clearly identifies the specific paragraphs of the Solicitation where the exceptions occur. Any exceptions not included in such a section shall be without force and effect in any resulting Contract unless such exception is specifically accepted by the State Treasurer in a written statement. The Bidder's preprinted or standard terms will not be considered by the State as a part of any resulting Contract.
 - i. Invitation for Bids. An Offer that takes exception to a material requirement of any part of the Solicitation, including terms and conditions, shall be rejected.
 - ii. Request for Proposals. All exceptions that are contained in the Offer may

negatively affect the State's proposal evaluation based on the evaluation criteria stated in the Solicitation or result in rejection of the Offer. An offer that takes exception to any material requirement of the solicitation may be rejected.

5. Subcontracts. Bidder shall clearly list any proposed subcontractors and the subcontractor's proposed responsibilities in the Offer.

6. Cost of Offer Preparation. The State will not reimburse any Bidder the cost of responding to a Solicitation.

7. Solicitation Amendments. Each Solicitation Amendment shall be signed with an original signature by the person signing the Offer, and shall be submitted no later than the Offer due date and time. Failure to return a signed copy of a Solicitation Amendment may result in rejection of the Offer.

8. Federal Excise Tax. The State of Arizona is exempt from certain Federal Excise Tax on manufactured goods. Exemption Certificates will be provided by the State.

9. Provision of Tax Identification Numbers. Bidders are required to provide their Arizona Transaction Privilege Tax Number and/or Federal Tax Identification number in the space provided on the Offer and Acceptance Form.

9.1 Employee Identification. Bidder agrees to provide an employee identification number or social security number for the purposes of reporting to appropriate taxing authorities, monies paid under this contract. If the federal identifier of the Bidder is a social security number, this number is being requested solely for tax reporting purposes and will be shared only with appropriate state and federal officials. This submission is mandatory under 26 U.S.C. § 6041A.

10. Identification of Taxes in Offer. The State of Arizona is subject to all applicable state and local transaction privilege taxes. All applicable taxes shall be included in the pricing offered in the solicitation. At all times, payment of taxes and the determination of applicable taxes are the sole responsibility of the contractor.

11. Disclosure. If the firm, business or person submitting this Offer has been debarred, suspended or otherwise lawfully precluded from participating in any public procurement activity, including being disapproved as a subcontractor with any Federal, state or local government, or if any such preclusion from participation from any public procurement activity is currently pending, the Bidder shall fully explain the circumstances relating to the preclusion or proposed preclusion in the Offer. The Bidder shall include a letter with its Offer setting forth the name and address of the governmental unit, the effective date of this suspension or debarment, the duration of the suspension or debarment, and the relevant circumstances relating to the suspension or debarment. If suspension or debarment is currently pending, a detailed description of all relevant circumstances including the details enumerated above shall be provided.

12. Solicitation Order of Precedence. In the event of a conflict in the provisions of this Solicitation, the following shall prevail in the order set forth below:

- | | |
|------|-------------------------------|
| 12.1 | Special Terms and Conditions; |
| 12.2 | Uniform Terms and Conditions; |
| 12.3 | Statement or Scope of Work; |
| 12.4 | Specifications; |
| 12.5 | Attachments; |
| 12.6 | Exhibits; |

- | | |
|------|---|
| 12.7 | Special Instructions to Bidders; |
| 12.8 | Uniform Instructions to Bidders; |
| 12.9 | Other documents referenced or included in the Solicitation. |

13. Delivery. Unless stated otherwise in the Solicitation, all prices shall be F.O.B. Destination and shall include all freight, delivery and unloading at the destination(s).

D. Submission of Offer

1. Sealed Envelope or Package. Each Offer shall be submitted to the submittal location identified in this Solicitation. Offers should be submitted in a sealed envelope or container. The envelope or container should be clearly identified with name of the Bidder and Solicitation number. The State may open envelopes or containers to identify contents if the envelope or container is not clearly identified.

2. Offer Amendment or Withdrawal. An Offer may not be amended or withdrawn after the Offer due date and time except as otherwise provided under applicable law.

3. Public Record. All Offers submitted and opened are public records and must be retained by the State. Offers shall be open to public inspection after Contract award, except for such Offers deemed to be confidential by the State. If a Bidder believes that information in its Offer should remain confidential, it shall indicate as confidential the specific information and submit a statement with its Offer detailing the reasons that the information should not be disclosed. Such reasons shall include the specific harm or prejudice which may arise. The State shall determine whether the identified information is confidential pursuant to the Arizona Procurement Code.

4. Non-collusion, Employment, and Services. By signing the Offer and Acceptance Form or other official contract form, the Bidder certifies that:

i. The Bidder did not engage in collusion or other anti-competitive practices in connection with the preparation or submission of its Offer; and

ii. The Bidder does not discriminate against any employee or applicant for employment or person to whom it provides services because of race, color, religion, sex, national origin, or disability, and that it complies with all applicable Federal, state and local laws and executive orders regarding employment.

E. Evaluation

1. Unit Price Prevails. In the case of discrepancy between the unit price or rate and the extension of that unit price or rate, the unit price or rate shall govern.

2. Prompt Payment Discount. Prompt payment discounts of thirty (30) days or more set forth in an Offer shall be deducted from the offer for the purposes of evaluating that price.

3. Late Offers. An Offer submitted after the exact Offer due date and time shall be rejected.

4. Disqualification. A Bidder (including each of its principals) who is currently debarred, suspended or otherwise lawfully prohibited from any public procurement activity shall have its offer rejected.

5. Offer Acceptance Period. A Bidder submitting an Offer under this Solicitation shall hold its Offer open for the number of days from the Offer due date that is stated in the Solicitation. If the Solicitation does not specifically state a number of days for Offer acceptance, the number of days shall be one hundred-twenty (120). If a Best and Final Offer is requested pursuant to a Request

for Proposal, a Bidder shall hold its Offer open for one hundred-twenty (120) days from the Best and Final Offer due date.

5.1 Waiver and Rejection Rights. Notwithstanding any other provision of the Solicitation, the State reserves the right to:

- 5.1.1 Waive any minor informality;
- 5.1.2 Reject any and all Offers or portions thereof; or
- 5.1.3 Cancel the Solicitation.

F. Award

1. Number or Types of Awards. The State reserves the right to make multiple awards or to award a Contract by individual line items or alternatives, by group of line items or alternatives, or to make an aggregate award, or regional awards, whichever is most advantageous to the State. If the State Treasurer determines that an aggregate award to one Bidder is not in the State's best interest, "all or none" Offers shall be rejected.

2. Contract inception. An Offer does not constitute a Contract nor does it confer any rights on the Bidder to the award of a Contract. A Contract is not created until the Offer is accepted in writing by the State Treasurer's (or designee) signature on the Offer and Acceptance Form. A notice of award or of the intent to award shall not constitute acceptance of the Offer.

3. Effective Date. The effective date of this Contract shall be the date that the State Treasurer or designee signs the Offer and Acceptance form or other official contract form, unless another date is specifically stated in the Contract.

G. Protests

A protest shall comply with and be resolved according to Arizona Revised Statutes, Title 41, Chapter 23, Article 9 and rules adopted there under. Protests shall be in writing and be filed with the State Treasurer. A protest of a Solicitation shall be received by the State Treasurer before the Offer due date. A protest of a proposed award or of an award shall be filed within ten (10) days after the protester knows or should have known the basis of the protest. A protest shall include:

- 1.1 The name, address and telephone number of the protester;
- 1.2 The signature of the protester or its representative;
- 1.3 Identification of the purchasing agency and the Solicitation or Contract number;
- 1.4 A detailed statement of the legal and factual grounds of the protest including copies of relevant documents; and
- 1.5 The form of relief requested.

SPECIAL TERMS AND CONDITIONS

1 Term of Contract

1.1 The term of contract shall commence from November 1, 2008 and shall remain in effect for a period of three (3) years thereafter unless terminated, canceled or extended as otherwise provided herein.

1.2 The State reserves the right to extend the contract up to a maximum of twenty four (24)

months.

1.3 The contract shall not bind nor purport to bind the State for any contractual commitment in excess of the original contract period. The State Treasurer shall have the right, at its sole option, to renew the contract for two (2) one year renewals. If the State Treasurer exercises such rights, all terms, conditions and provisions of the original contract shall remain the same and apply during the renewal period.

2 Project Management

2.1 The Contractor shall appoint a project manager to be responsible for the planning; conducting progress; and successful completion of all activities during the contract period.

2.2 The Contractor shall, within seven (7) days after the award of the contract, submit a written identification and notification to the Office of the State Treasurer of the name, title, address, and telephone number of one (1) individual within its organization as a duly authorized representative to whom all correspondence, official notices, and requests related to the contractor's performance pursuant to the contract shall be addressed. The Contractor shall have the right to change or substitute the name of the individual described above as deemed necessary with written approval of the State Treasurer.

2.3 The Office of the State Treasurer shall provide the contractor with the name of a contact person who will coordinate all information to and/or from the Contractor.

3 Insurance

3.1 The Contractor shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract, are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance. The servicing bank shall furnish the State certification from insurer(s) for coverage of bank employees with limits of liability not less than those stated below.

Commercial General Liability (Policy shall include bodily injury, property damage, personal injury and broad form contractual liability coverage.)

General Aggregate	\$2,000,000
Products - Completed Operations Aggregate	\$1,000,000
Personal and Advertising Injury	\$1,000,000
Blanket Contractual Liability - Written and Oral	\$1,000,000
Fire Legal Liability	\$ 50,000
Each Occurrence	\$1,000,000

The policy shall be endorsed to include the following additional insured language:

"The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the

Contractor”.

Policy shall contain a waiver of subrogation against the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

4 Federal Immigration and Nationality Act

4.1 The contractor shall comply with all federal, state and local immigration laws and regulations relating to the immigration status of their employees during the term of the contract. Further, the contractor shall flow down this requirement to all subcontractors utilized during the term of the contract. The State shall retain the right to perform random audits of contractor and subcontractor records or to inspect papers of any employee thereof to ensure compliance. Should the State determine that the contractor and/or any subcontractors be found noncompliant, the State may pursue all remedies allowed by law, including, but not limited to; suspension of work, termination of the contract for default and suspension and/or debarment of the contractor.

5 Disaster Recovery

5.1 The successful bidder is required to maintain a tested disaster recovery and business continuity plan throughout the term of the contract resulting from this Request for Proposal. This plan, along with any modifications or testing results will be available for review by the Arizona State Treasurer’s Office with notice.

At a minimum, such disaster recovery plan will include information regarding the steps taken to avoid interruptions in service availability to the State of Arizona. The plan must address the recovery time objective (RTO), the recovery point objective (RPO), the establishment of a minimum level of critical support, and a maximum tolerable downtime. Additionally, the plan will include information regarding at least one alternative processing facility, its capacity and capability levels, along with specific methods to provide access to information if the primary system is out of service.

6 SAS-70

6.1 The successful bidder must provide the most current report by its independent auditors of its internal controls. The SAS-70 report must cover the services provided by the contractor resulting from this document.

UNIFORM TERMS AND CONDITIONS

1 Definition of Terms. As used in this Solicitation and any resulting Contract, the terms listed below are defined as follows:

1.1 “Attachment” means any item the Solicitation requires the Bidder to submit as part of the Offer.

1.2 “Contract” means the combination of the Solicitation, including the Uniform and Special Instructions to Bidders, the Uniform and Special Terms and Conditions, and the Specifications and Statement or Scope of Work, the Offer and any Best and Final Offers, and any Solicitation Amendments or Contract Amendments.

1.3 “Contract Amendment” means a written document signed by the State Treasurer or designee that is issued for the purpose of making changes in the Contract.

1.4 “Contractor” means any person who has a Contract with the State.

1.5 “Days” means calendar days unless otherwise specified.

1.6 “Exhibit” means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation.

1.7 “Gratuity” means a payment, loan, subscription, advance, deposit of money, services, or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value is received.

1.8 “Materials” means all property, including equipment, supplies, printing, insurance and leases of property but does not include land, a permanent interest in land or real property or leasing space.

1.9 “Procurement Officer” means the person, or his or her designee, duly authorized by the State to enter into and administer Contracts and make written determinations with respect to the Contract.

1.10 “Services” means the furnishing of labor, time or effort by a contractor or subcontractor which does not involve the delivery of a specific end product other than required reports and performance, but does not include employment agreements or collective bargaining agreements.

1.11 “Subcontract” means any Contract, express or implied, between the Contractor and another party or between a subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any material or any service required for the performance of the Contract.

1.12 “State” means the State of Arizona and Department or Agency of the State that executes the Contract.

1.13 “State Fiscal Year” means the period beginning with July 1 and ending June 30.

2 Contract Interpretation

2.1 Arizona Law. The Arizona law applies to this Contract including, where applicable, the Uniform Commercial Code as adopted by the State of Arizona and the Arizona Procurement Code, Arizona Revised Statutes (A.R.S.) Title 41, Chapter 23, and its implementing rules, Arizona Administrative Code (A.A.C.) Title 2, Chapter 7.

2.2 Implied Contract Terms. Each provision of law and any terms required by law to be in this Contract are a part of this Contract as if fully stated in it.

2.3 Contract Order of Precedence. In the event of a conflict in the provisions of the Contract, as accepted by the State and as they may be amended, the following shall prevail in the order set forth below:

- 2.3.1 Special Terms and Conditions;
- 2.3.2 Uniform Terms and Conditions;
- 2.3.3 Statement or Scope of Work;
- 2.3.4 Specifications;
- 2.3.5 Attachments;
- 2.3.6 Exhibits;
- 2.3.7 Documents referenced or included in the Solicitation.

2.4 Relationship of Parties. The Contractor under this Contract is an independent Contractor. Neither party to this Contract shall be deemed to be the employee or agent of the other party to the Contract.

2.5 Severability. The provisions of this Contract are severable. Any term or condition deemed illegal or invalid shall not affect any other term or condition of the Contract.

2.6 No Parole Evidence. This Contract is intended by the parties as a final and complete expression of their agreement. No course of prior dealings between the parties and no usage of the trade shall supplement or explain any terms used in this document and no other understanding either oral or in writing shall be binding.

2.7 No Waiver. Either party's failure to insist on strict performance of any term or condition of the Contract shall not be deemed a waiver of that term or condition even if the party accepting or acquiescing in the nonconforming performance knows of the nature of the performance and fails to object to it.

3 Contract administration and operation.

3.1 Records. Under A.R.S. § 35-214 and § 35-215, the Contractor shall retain and shall contractually require each subcontractor to retain all data and other "records" relating to the acquisition and performance of the Contract for a period of five years after the completion of the Contract. All records shall be subject to inspection and audit by the State at reasonable times. Upon request, the Contractor shall produce a legible copy of any or all such records.

3.2 Non-Discrimination. The Contractor shall comply with State Executive Order No. 99-4 and all other applicable Federal and State laws, rules and regulations, including the Americans with Disabilities Act.

3.3 Audit. Pursuant to ARS § 35-214, at any time during the term of this Contract and five (5) years thereafter, the Contractor's or any subcontractor's books and records shall be subject to audit by the State and, where applicable, the Federal Government, to the extent that the books and records relate to the performance of the Contract or Subcontract.

3.4 Facilities Inspection and Materials Testing. The Contractor agrees to permit access to its facilities, subcontractor facilities and the Contractor's processes or services, at reasonable times for inspection of the facilities or materials covered under this Contract. The State shall also have the right to test, at its own cost, the materials to be supplied under this Contract. Neither inspection of the Contractors facilities nor materials testing shall constitute final acceptance of the materials or services. If the State determines noncompliance of the materials, the Contractor shall be responsible for the payment of all costs incurred by the State for testing and inspection.

3.5 Notices. Notices to the Contractor required by this Contract shall be made by the State to the person indicated on the Offer and Acceptance form submitted by the Contractor unless otherwise stated in the Contract. Notices to the State required by the Contract shall be made by the Contractor to the Solicitation Contact Person indicated on the Solicitation cover sheet, unless

otherwise stated in the Contract. An authorized Procurement Officer and an authorized Contractor representative may change their respective person to whom notice shall be given by written notice to the other and an amendment to the Contract shall not be necessary.

3.6 Advertising, Publishing and Promotion of Contract. The Contractor shall not use, advertise or promote information for commercial benefit concerning this Contract without the prior written approval of the State Treasurer.

3.7 Property of the State. Any materials, including reports, computer programs and other deliverables, created under this Contract are the sole property of the State. The Contractor is not entitled to a patent or copyright on those materials and may not transfer the patent or copyright to anyone else. The Contractor shall not use or release these materials without the prior written consent of the State.

3.8 Ownership of Intellectual Property. Any and all intellectual property, including but not limited to copyright, invention, trademark, trade name, service mark, and/or trade secrets created or conceived pursuant to or as a result of this contract and any related subcontract ("Intellectual Property"), shall be work made for hire and the State shall be considered the creator of such Intellectual Property. The agency, department, division, board or commission of the State of Arizona requesting the issuance of the contract shall own (for and on behalf of the State) the entire right, title and interest to the Intellectual Property throughout the world. Contractor shall notify the State, within thirty (30) days, of the creation of any Intellectual Property by it or its subcontractor(s). Contractor, on behalf of itself and any subcontractor(s), agrees to execute any and all document(s) necessary to assure ownership of the Intellectual Property vests in the State and shall take no affirmative actions that might have the effect of vesting all or part of the Intellectual Property in any entity other than the State. The Intellectual Property shall not be disclosed by contractor or its subcontractor(s) to any entity not the State without the express written authorization of the agency, department, division, board or commission of the State of Arizona requesting the issuance of this contract.

4 Costs and Payments

4.1 Payments. Payments shall comply with the requirements of A.R.S. Titles 35 and 41, Net 30 days. Upon receipt and acceptance of goods or services, the Contractor shall submit a complete and accurate invoice for payment from the State within thirty (30) days.

4.2 Delivery. Unless stated otherwise in the Contract, all prices shall be F.O.B. Destination and shall include all freight delivery and unloading at the destination.

4.3 Applicable Taxes.

4.3.1 Payment of Taxes. The Contractor shall be responsible for paying all applicable taxes.

4.3.2 State and Local Transaction Privilege Taxes. The State of Arizona is subject to all applicable state and local transaction privilege taxes. Transaction privilege taxes apply to the sale and are the responsibility of the seller to remit. Failure to collect such taxes from the buyer does not relieve the seller from its obligation to remit taxes.

4.3.3 Tax Indemnification. Contractor and all subcontractors shall pay all federal, state and local taxes applicable to its operation and any persons employed by the Contractor. Contractor shall, and require all subcontractors to hold the State harmless from any responsibility for taxes, damages and interest, if applicable, contributions required under federal, and/or state and local laws and regulations and any other costs including transaction privilege taxes, unemployment compensation insurance, Social Security and

Worker's Compensation.

4.3.4 IRS W9 Form. In order to receive payment the Contractor shall have a current IRS W9 Form on file with the State of Arizona, unless not required by law.

4.4 Availability of Funds for the next State fiscal year. Funds may not presently be available for performance under this Contract beyond the current state fiscal year. No legal liability on the part of the State for any payment may arise under this Contract beyond the current state fiscal year until funds are made available for performance of this Contract.

4.5 Availability of Funds for the current State fiscal year. Should the State Legislature enter back into session and reduce the appropriations for any reason and these goods or services are not funded, the State may take any of the following actions:

- 4.5.1 Accept a decrease in price offered by the contractor;
- 4.5.2 Cancel the Contract;
- 4.5.3 Cancel the Contract and re-solicit the requirements.

5 Contract changes

5.1 Amendments. This Contract is issued under the authority of the State Treasurer (or designee) who signed this Contract. The Contract may be modified only through a Contract Amendment within the scope of the Contract. Changes to the Contract, including the addition of work or materials, the revision of payment terms, or the substitution of work or materials, directed by a person who is not specifically authorized by the State Treasurer in writing or made unilaterally by the Contractor are violations of the Contract and of applicable law. Such changes, including unauthorized written Contract Amendments shall be void and without effect, and the Contractor shall not be entitled to any claim under this Contract based on those changes.

5.2 Subcontracts. The Contractor shall not enter into any Subcontract under this Contract for the performance of this contract without the advance written approval of the State Treasurer. The Contractor shall clearly list any proposed subcontractors and the subcontractor's proposed responsibilities. The Subcontract shall incorporate by reference the terms and conditions of this Contract.

5.3 Assignment and Delegation. The Contractor shall not assign any right nor delegate any duty under this Contract without the prior written approval of the State Treasurer. The State shall not unreasonably withhold approval.

6 Risk and Liability

6.1 Risk of Loss. The Contractor shall bear all loss of conforming material covered under this Contract until received by authorized personnel at the location designated in the purchase order or Contract. Mere receipt does not constitute final acceptance. The risk of loss for nonconforming materials shall remain with the Contractor regardless of receipt.

6.2 Indemnification

6.2.1 Contractor/Vendor Indemnification (Not Public Agency). The parties to this contract agree that the State of Arizona, its' departments, agencies, boards and commissions shall be indemnified and held harmless by the contractor for the vicarious liability of the State as a result of entering into this contract. However, the parties further agree that the State of Arizona, its' departments, agencies, boards and commissions shall be responsible for its' own negligence. Each party to this contract is responsible for its'

own negligence.

6.2.2 Public Agency Language Only. Each party (as 'indemnitor') agrees to indemnify, defend, and hold harmless the other party (as 'indemnitee') from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as 'claims') arising out of bodily injury of any person (including death) or property damage but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, its' officers, officials, agents, employees, or volunteers.

6.3 Indemnification - Patent and Copyright. The Contractor shall indemnify and hold harmless the State against any liability, including costs and expenses, for infringement of any patent, trademark or copyright arising out of Contract performance or use by the State of materials furnished or work performed under this Contract. The State shall reasonably notify the Contractor of any claim for which it may be liable under this paragraph. If the contractor is insured pursuant to A.R.S. § 41-621 and § 35-154, this section shall not apply.

6.4 Force Maieure

6.4.1 Except for payment of sums due, neither party shall be liable to the other nor deemed in default under this Contract if and to the extent that such party's performance of this Contract is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God; acts of the public enemy; war; riots; strikes; mobilization; labor disputes; civil disorders; fire; flood; lockouts; injunctions-intervention-acts; or failures or refusals to act by government authority; and other similar occurrences beyond the control of the party declaring force majeure which such party is unable to prevent by exercising reasonable diligence.

6.4.2 Force Majeure shall not include the following occurrences:

6.4.2.1 Late delivery of equipment or materials caused by congestion at a manufacturer's plant or elsewhere, or an oversold condition of the market;

6.4.2.2 Late performance by a subcontractor unless the delay arises out of a force majeure occurrence in accordance with this force majeure term and condition; or

6.4.2.3 Inability of either the Contractor or any subcontractor to acquire or maintain any required insurance, bonds, licenses or permits.

6.4.3 If either party is delayed at any time in the progress of the work by force majeure, the delayed party shall notify the other party in writing of such delay, as soon as is practicable and no later than the following working day of the commencement thereof and shall specify the causes of such delay in such notice. Such notice shall be delivered or mailed certified-return receipt and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing when it has done so. The time of completion shall be extended by Contract Amendment for a period of time equal to the time that results or effects of such delay prevent the delayed party from performing in accordance with this Contract.

6.4.4 Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that such delay or failure is caused by force majeure.

6.5 Third Party Antitrust Violations. The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services applied by third parties to the Contractor, toward fulfillment of this Contract.

7 Warranties

7.1 Liens. The Contractor warrants that the materials supplied under this Contract are free of liens and shall remain free of liens.

7.2 Quality. Unless otherwise modified elsewhere in these terms and conditions, the Contractor warrants that, for one year after acceptance by the State of the materials, they shall be:

7.2.1 of a quality to pass without objection in the trade under the Contract description;

7.2.2 fit for the intended purposes for which the materials are used;

7.2.3 within the variations permitted by the Contract and are of even kind, quantity, and quality within each unit and among all units;

7.2.4 adequately contained, packaged and marked as the Contract may require; and

7.2.5 conform to the written promises or affirmations of fact made by the Contractor.

7.3 Fitness. The Contractor warrants that any material supplied to the State shall fully conform to all requirements of the Contract and all representations of the Contractor, and shall be fit for all purposes and uses required by the Contract.

7.4 Inspection/Testing. The warranties set forth in subparagraphs 7.1 through 7.3 of this paragraph are not affected by inspection or testing of or payment for the materials by the State.

7.5 Compliance With Applicable Laws. The materials and services supplied under this Contract shall comply with all applicable federal, state and local laws, and the Contractor shall maintain all applicable licenses and permit requirements.

7.6 Survival of Rights and Obligations after Contract Expiration or Termination

7.6.1 Contractors Representations and Warranties. All representations and warranties made by the Contractor under this Contract shall survive the expiration or termination hereof. In addition, the parties hereto acknowledge that pursuant to A.R.S. § 12-510, except as provided in A.R.S. § 12-529, the State is not subject to or barred by any limitations of actions prescribed in A.R.S. Title 12, Chapter 5.

7.6.2 Purchase Orders. The Contractor shall, in accordance with all terms and conditions of the Contract, fully perform and shall be obligated to comply with all purchase orders received by the Contractor prior to the expiration or termination hereof, unless otherwise directed in writing by the State Treasurer, including, without limitation, all purchase orders received prior to but not fully performed and satisfied at the expiration or termination of this Contract.

8 State's Contractual Remedies

8.1 Right to Assurance. If the State in good faith has reason to believe that the Contractor does not intend to, or is unable to perform or continue performing under this Contract, the State

Treasurer may demand in writing that the Contractor give a written assurance of intent to perform. Failure by the Contractor to provide written assurance within the number of days specified in the demand may, at the State's option, be the basis for terminating the Contract under the Uniform Terms and Conditions or other rights and remedies available by law or provided by the contract.

8.2 Stop Work Order

8.2.1 The State may, at any time, by written order to the Contractor, require the Contractor to stop all or any part, of the work called for by this Contract for period(s) of days indicated by the State after the order is delivered to the Contractor. The order shall be specifically identified as a stop work order issued under this clause. Upon receipt of the order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage.

8.2.2 If a stop work order issued under this clause is canceled or the period of the order or any extension expires, the Contractor shall resume work. The State Treasurer shall make an equitable adjustment in the delivery schedule or Contract price, or both, and the Contract shall be amended in writing accordingly.

8.3 Non-exclusive Remedies. The rights and the remedies of the State under this Contract are not exclusive.

8.4 Nonconforming Tender. Materials or services supplied under this Contract shall fully comply with the Contract. The delivery of materials or services or a portion of the materials or services that do not fully comply constitutes a breach of contract. On delivery of nonconforming materials or services, the State may terminate the Contract for default under applicable termination clauses in the Contract, exercise any of its rights and remedies under the Uniform Commercial Code, or pursue any other right or remedy available to it.

8.5 Right of Offset. The State shall be entitled to offset against any sums due the Contractor, any expenses or costs incurred by the State, or damages assessed by the State concerning the Contractor's non-conforming performance or failure to perform the Contract, including expenses, costs and damages described in the Uniform Terms and Conditions.

9 **Contract Termination**

9.1 Cancellation for Conflict of Interest. Pursuant to A.R.S. § 38-511, the State may cancel this Contract within three (3) years after Contract execution without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating the Contract on behalf of the State is or becomes at any time while the Contract or an extension of the Contract is in effect an employee of or a consultant to any other party to this Contract with respect to the subject matter of the Contract. The cancellation shall be effective when the Contractor receives written notice of the cancellation unless the notice specifies a later time. If the Contractor is a political subdivision of the State, it may also cancel this Contract as provided in A.R.S. § 38-511.

9.2 Gratuities. The State may, by written notice, terminate this Contract, in whole or in part, if the State determines that employment or a Gratuity was offered or made by the Contractor or a representative of the Contractor to any officer or employee of the State for the purpose of influencing the outcome of the procurement or securing the Contract, an amendment to the Contract, or favorable treatment concerning the Contract, including the making of any determination or decision about contract performance. The State, in addition to any other rights or remedies, shall be entitled to recover exemplary damages in the amount of three times the value of the Gratuity offered by the Contractor.

9.3 Suspension or Debarment. The State may, by written notice to the Contractor, immediately terminate this Contract if the State determines that the Contractor has been debarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity, including but not limited to, being disapproved as a subcontractor of any public procurement unit or other governmental body. Submittal of an offer or execution of a contract shall attest that the contractor is not currently suspended or debarred. If the contractor becomes suspended or debarred, the contractor shall immediately notify the State.

9.4 Termination for Convenience. The State reserves the right to terminate the Contract in whole or in part at any time, when in the best interests of the State without penalty or recourse. Upon receipt of the written notice, the Contractor shall stop all work, as directed in the notice, notify all subcontractors of the effective date of the termination and minimize all further costs to the State. In the event of termination under this paragraph, all documents, data and reports prepared by the Contractor under the Contract shall become the property of and be delivered to the State upon demand. The Contractor shall be entitled to receive just and equitable compensation for work in progress, work completed and materials accepted before the effective date of the termination. The cost principles and procedures provided in A.A.C. R2-7-701 shall apply.

9.5 Termination for Default

9.5.1 In addition to the rights reserved in the contract, the State may terminate the Contract in whole or in part due to the failure of the Contractor to comply with any term or condition of the Contract, to acquire and maintain all required insurance policies, bonds, licenses and permits, or to make satisfactory progress in performing the Contract. The State Treasurer shall provide written notice of the termination and the reasons for it to the Contractor.

9.5.2 Upon termination under this paragraph, all goods, materials, documents, data and reports prepared by the Contractor under the Contract shall become the property of and be delivered to the State on demand.

9.5.3 The State may, upon termination of this Contract, procure, on terms and in the manner that it deems appropriate, materials or services to replace those under this Contract. The Contractor shall be liable to the State for any excess costs incurred by the State in procuring materials or services in substitution for those due from the Contractor.

9.6 Continuation of Performance Through Termination. The Contractor shall continue to perform, in accordance with the requirements of the Contract, up to the date of termination, as directed in the termination notice.

10 **Arbitration**

10.1 The parties to this Contract agree to resolve all disputes arising out of or relating to this contract through arbitration, after exhausting applicable administrative review, to the extent required by A.R.S § 12-1518, except as may be required by other applicable statutes (Title 41).

SCOPE OF WORK

1 General Requirements

1.1 The Arizona State Treasurer will appoint the successful bidder (hereinafter called the "Institution"), as his agent for the safekeeping and handling of all Securities and cash delivered during the term of the agreement, and the Institution agrees to accept such appointment.

1.2 The Institution, at the direction of the State Treasurer, will provide for transfer of securities and cash from the Institution currently holding the securities prior to November 30, 2008, or on another date if so authorized by the State Treasurer. The new Institution shall be responsible for the safe transport and delivery of the securities. Transfer of the present securities portfolio will be "free delivery" at no cost to the State Treasurer. At the conclusion of this contract, any transfers will likewise be at no cost to the State Treasurer.

1.3 The Institution shall accept possession of, and be responsible for the safekeeping of such securities and cash as are delivered to the Institution including electronic delivery via straight through processing systems.

1.4 The term of this contract shall begin on November 1, 2008 and will end at the close of business on October 31, 2011. In addition, the contract can be extended for two (2) one year renewal periods as noted in the SPECIAL TERMS AND CONDITIONS.

1.5 The State Treasurer's Office will be entitled to cause delivery or withdrawal from the Institution's possession, during the Institution's normal business hours, any such securities or cash held by the Institution.

1.6 Securities will be deposited with the Institution or withdrawn from the Institution's possession.

1.7 The Institution will exercise the same degree of care to determine the genuineness of any securities delivered to it, or in its possession, as it would for its own securities. The State Treasurer shall be provided statements and reports of all transactions as required - including all corporate actions.

1.8 The Institution shall provide via modem or secure Internet access to the State Treasurer, State Agency or Department and Depositor a PC-based data retrieval system that will enable the Treasurer to have read and print access of records of securities then on deposit with the Institution. The system should allow the State to obtain and print security portfolio valuation and daily transaction reports. The Institution will allow the State Treasurer's Office to download data via modem or Internet.

1.9 Audits to determine the physical presence of securities deposited with the Institution will be made by the Auditor General pursuant to law and as desired by the State Treasurer, who (or who's authorized representative) will be entitled to verify the securities in the Institution's possession at reasonable intervals. All information furnished with respect to audits or confirmations to any department or agency of the State of Arizona other than the State Treasurer will be the responsibility of the Institution.

1.10 In the event the Institution is instructed or requested to do any act or to refrain from doing any act, the performance or nonperformance of which, in the Institution's sole opinion, would subject the Institution to unreasonable risk of liability, expense or litigation, the Institution will have no obligation to perform such act (or to refrain from performing such act), except upon being furnished instructions or indemnity adequate, in the Institution's sole and absolute discretion, to

protect the Institution against such risk of liability, expense or litigation, or except in accordance with an adjudication by a court of competent jurisdiction (and the determination of all appeals and expiration of all applicable periods) in any appropriate legal or equitable proceeding, including limiting the generality of the foregoing, a suit for a declaratory judgment or an interpleader action.

1.11 The successful bidder will be required to return all cash not otherwise swept into short term investment funds, to the Treasurer by the end of each business day. If any cash is remaining in accounts resulting from late transactions, purchase fails, or any unforeseen event, the successful bidder will reimburse the Treasurer at a rate equal to the number of days monies remain overnight multiplied by the Fed Funds opening rate divided by 365. Should account balances be negative, the Treasurer will reimburse the successful bidder at the same rate.

1.12 The successful bidder will be required to adapt to any new asset classes or investment vehicles the Treasurer may invest in as well as interface with any external investment managers selected by the Treasurer.

1.13 The bid price shall be submitted using the attached Pricing Schedule (Exhibit 1).

2 Optional Requirements

2.1 Investment Accounting Software - the Office of the State Treasurer is charged with investment, safekeeping and accounting for approximately \$13 billion dollars. This option requires the contractor to provide and install an investment accounting and tracking system. The minimum operational features shall include:

- daily accounting for all investments and asset classes contained in all portfolios,
- comprehensive daily pricing system,
- automatic posting capability for scheduled events,
- daily update of book values for accretion and amortization,
- investment reporting at cost and market values,
- customized report writing capabilities,
- standard period reporting,
- technical assistance for GASB, FASB update implementation,
- online banking capability for local government investment pool (lgip) participants including the creation of lgip participants' statements of account with calculation of earnings/yield and tracking of invested balances,
- interface with internal general ledger via data export or direct interface,
- interface with straight-through trade feed/processing system,
- ability to calculate earnings, yield, daily Net Asset Value (fixed and floating),
- support commingled fund accounting,
- ability to add new assets classes and or investment instruments.

2.2 Investment Accounting Services - the Office of the State Treasurer is charged with investment, safekeeping and accounting for approximately \$13 billion dollars. This option requires the contractor to provide investment accounting and related reporting services including the following:

- investment accounting on a full accrual basis,
- comprehensive daily pricing,
- interface with straight-through trade feed/processing system,
- interface with internal general ledger via data export or direct interface,
- performance measurement,

- performance attribution,
- investment analytics,
- benchmark comparisons,
- reporting maintaining GASB, FASB standards,
- reconciliations,
- online banking capability for local government investment pool (lgip) participants including the creation of lgip participants' statements of account with calculation of earnings/yield and tracking of invested balances,
- compliance monitoring,
- ability to add new assets classes and or investment instruments,
- all corporate actions,
- records retention as noted in the UNIFORM TERMS & CONDITIONS,
- ad hoc reporting capabilities.

2.3 Securities Lending - the Office of the State Treasurer is interested in determining to what extent a securities lending program may supplement portfolio earnings or offset costs associated with this contract. Acceptable cash collateral is limited to United States Dollars. Acceptable non-cash collateral includes obligations issued by the United States for any of its agencies, sponsored agencies, corporations or instrumentalities. Please see A.R.S. 35-313(C). Each bidder shall describe its security lending program including at least the following information:

- size of your existing operation,
- earnings split,
- indemnification policy for broker/borrower default,
- loan allocation system,
- reporting capabilities,
- collateral monitoring,
- third party relationships,
- confirmation that collateral complies with Arizona State Treasurer's Office Investment Policy and Arizona Revised Statutes,
- confirmation of SAS-70 (level 2) Audit for securities lending program.

2.4 Proxy Voting - contractor (or sub-contractor) would assist the Office of the State Treasurer in carrying out proxy voting and related responsibilities. The minimum requirements are to:

- aid in the development of proxy voting policies,
- vote the proxies and keep centralized records of proxy votes made on behalf of the Arizona State Treasurer's Office by any of its contracted external asset managers consistent with established policies,
- provide reporting of research and proxy votes as prescribed by the Office of the State Treasurer,
- assist the Office of the State Treasurer in screening its aggregate portfolio at least annually for firms that are in violation of U. S. Policy in doing business with countries listed by the U. S. Department as terrorist-sponsoring states. Such screening shall be summarized in a format that includes the following information:
 - 1) company name,
 - 2) value of the investment held by the Arizona State Treasurer's Office,
 - 3) country of exposure and the extent of tie to the country,
 - 4) main business activity of the company,
 - 5) assessment of the potential impact to the Arizona State Treasurer's Office portfolio.

Exhibit 1

PRICING SCHEDULE

CUSTODY

RELATIONSHIP SERVICING FEE _____ PER MONTH

TRANSACTIONS

SECURITIES TRANSACTIONS _____ PER TRANSACTION

INCOMING/OUTGOING WIRES _____ PER WIRE

ONLINE COMMUNICATIONS

INSTALLATION FEE _____

MONTHLY ACCESS _____

THE ARIZONA STATE TREASURER IS RESPONSIBLE FOR THE INVESTMENT OF MONIES OF THE STATE OF ARIZONA, LOCAL GOVERNMENT INVESTMENT POOL (LGIP) AND PERMANENT ENDOWMENT FUND. SEVEN ACTIVE CUSTODY ACCOUNTS ARE MAINTAINED WITH THE CURRENT VENDOR. THEY ARE LISTED BELOW WITH APPROXIMATE TRADING ACTIVITY FOR EACH.

S & P 400 MID-CAP	50 - 200 TRADES PER MONTH
S & P 500 LONG TERM	200 - 500 TRADES PER MONTH
NON-ENDOWMENT	175 TRADES PER MONTH
ENDOWMENT	10 TRADES PER MONTH
LGIP 500 MED TERM	20 TRADES PER MONTH
CAWCD MED TERM	10 TRADES PER MONTH
GADA LONG TERM	5 TRADES PER MONTH

OPTIONAL SERVICES:

INVESTMENT ACCOUNTING SOFTWARE

LICENSING FEE _____ PER YEAR

INVESTMENT ACCOUNTING SERVICES

SERVICING FEE _____ PER MONTH

SECURITIES LENDING

EARNINGS SPLIT _____

PROXY VOTING

SERVICING FEE _____